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**ACCELERATED TARIFF LIBERALIZATION IN FOREST PRODUCTS SECTOR
EXPECTED TO HAVE SMALL ENVIRONMENTAL EFFECTS**

The Office of the United States Trade Representative (USTR) and the Council on Environmental Quality (CEQ) today released a joint report on the accelerated tariff liberalization initiative (ATL) in the forest products sector. The report concludes that ATL will have no environmental impact in the United States. Globally, the ATL's environmental impacts are likely to be mixed and small. This was based on an interagency assessment of the incremental economic and environmental impacts resulting from forest product tariff reductions as proposed in the ATL.

"This thorough review has not found significant environmental risks associated with tariff reduction in forest products," said George Frampton, Acting Chair of the Council on Environmental Quality. "Our experience in conducting this review underscores the utility of open and informed dialogue about the potential environmental impacts of trade agreements and will serve us well as the Administration prepares to assess additional environmental issues associated with the new WTO round."

"This analysis demonstrates that further opening trade in the forest products sector is consistent with our commitment to environmentally sustainable economic growth," said United States Trade Representative Charlene Barshefsky. "I am pleased that this study concluded that tariff liberalization in this sensitive sector will not harm our country's forests and will have little effect on forests worldwide."

The study focuses on the potential effects of the ATL initiative on the United States but also addresses the global potential implications. Among the study's key findings are:

- For the United States, the ATL's environmental impacts on U.S. forests are expected to be indistinguishable compared to what would be the case in the absence of the ATL;

- For the United States, the composition of international trade and domestic production will be marginally affected and reinforce the trend toward greater domestic output of processed products;
- The environmental effects of the ATL are likely to be mixed and small;
- Globally, by 2010, compared to the baseline, the ATL is projected to increase aggregate world trade in forest products by a maximum of 2 percent, timber harvest by 0.5 percent, and aggregate world production and consumption of forest products by less than 1 percent; and
- The composition of world trade will change with the greatest increases in value-added manufactures and declines in trade in raw materials and semi-processed products.

Background

The initiative for Accelerated Tariff Liberalization (ATL), began in APEC (Asia Pacific Economic Cooperation forum) in 1997 as a way of taking steps toward the stated APEC goal of free and open trade in the region by 2010 for developed countries and 2020 for developing countries.

In November 1997, APEC Trade Ministers selected forest products, along with seven other sectors for further work to achieve early comprehensive liberalization. The other seven sectors are: chemicals, energy and energy-related goods, environmental goods, fish and fish products, gems and jewelry, medical and scientific equipment and toys. The eight sectors represent a balanced package and reflect the interests of both developed and developing countries.

In November 1998, APEC Trade Ministers agreed to transfer to the World Trade Organization (WTO) the negotiation of tariff liberalization in the eight sectors and to work there to achieve the critical mass necessary to conclude the agreements. Conclusion of an agreement on the ATL initiative by the Seattle Ministerial is a priority for the United States.

After the announcement of the proposed initiative for the ATL in forest products among member countries of the WTO, many environmental organizations expressed concern that these forest product tariff reductions would lead to increased timber harvest and, as a result, potential environmental degradation. In response, the Office of the United States Trade Representative and the White House Council on Environmental Quality led an inter-agency team of experts to analyze the economic and environmental effects of the initiative. Input from the public regarding the analysis and associated concerns were obtained through a request in the Federal Register on June 25, 1999.

The report assesses the incremental economic and environmental impacts likely to result from changes in the timing and scope of forest product tariff reductions as proposed in the ATL. The report's analysis of environmental effects focuses on possible changes in timber harvest, in both

the United States and worldwide, and rests directly on an analysis of the economic (trade, production, and consumption) effects of the initiative. The environmental analysis is not a review of baseline trends in world forest area or condition; the analysis also does not attempt to determine, in detail, those levels, patterns, and methods of timber harvest that are “sustainable”. It is an examination of: (1) the direction and magnitude of change in timber harvest that can be attributed to the ATL; and (2) the location of this change in harvest.

This analysis of the ATL is based on four sources of information: (1) simulation results using large-scale, forest products sector and trade models; (2) literature describing analyses of the general effects of tariffs and tariff reductions on trade; (3) literature that specifically addresses the role of tariffs and tariff changes in forest products trade; and (4) a review and assessment of all comments submitted in response to the request published in the Federal Register.

Further, while the Administration has taken action with this review to assess the potential environmental impacts of trade in forest products, its international environment agenda also includes significant investments in forest conservation and management programs. For example, the U.S. Agency for International Development provides more than \$50 million annually on tropical forest and biodiversity conservation programs. The United States is also the largest donor to the Global Environment Facility (GEF), a multilateral program that includes major forest conservation investments in developing countries.

Fact Sheet on Accelerated Tariff Liberalization

What is Accelerated Tariff Liberalization (ATL)?

- ATL began in APEC (the Asia Pacific Economic Cooperation forum) in 1997 as a way of taking steps toward the stated APEC goal of free and open trade in the region by 2010 for developed countries and by 2020 for developing countries.
- In November, 1997, APEC Trade Ministers selected forest products, along with seven other sectors, for early comprehensive liberalization, including trade liberalization, trade facilitation, and economic and technical cooperation (technical assistance). The other seven sectors are: chemicals, energy and energy related goods and services, environmental goods and services, fish and fish products, gems and jewelry, medical and scientific equipment, and toys.
 - The forest products sector includes wood chemicals, wood, rattan, pulp, paper, printed materials, wood furniture and prefab housing.
- In November, 1998, APEC Trade Ministers agreed to move the tariff elements of the eight sectors to the WTO and to work there to achieve the critical mass necessary to conclude the agreements. The WTO initiative is known as Accelerated Tariff Liberalization (ATL). An agreement in ATL will result in the elimination or harmonization of tariffs in the eight sectors among a critical mass of countries. Other elements of the sectoral liberalization work program – including non-tariff measures, trade facilitation, and economic and technical cooperation – remain in APEC.

Economic Benefits of Accelerated Tariff Liberalization

- The eight ATL sectors represent a balanced package and reflect the interests of both developed and developing countries. Trade liberalization in the eight sectors will create jobs, increase productivity and competitiveness, build a manufacturing base, provide more export opportunities, attract investment, and improve the standard of living. Increased efficiencies in manufacturing processes and rising incomes resulting from the ATL should have positive effects on the environment.
- For forest products in particular, the elimination of tariffs will have several benefits. It can be expected to help:
 - decrease the cost of housing, making decent housing available to more people around the world. Decreased construction costs are particularly important because the construction sector is a major driver of economic development in most countries, including the United States.
 - decrease the price of furniture and improve the selection for consumers.

- decrease the cost of both raw material inputs and packaging materials, which will lower production costs across virtually the entire spectrum of manufactured products, while improving the overall quality of paperboard and paperboard boxes.
- improve access to higher quality and lower cost publishing and printed materials, stimulating commercial activities and providing cultural and educational benefits.
- eliminate tariff escalation in the sector with the greatest impact on value-added wood products. Tariffs on logs are already zero in most countries. In the United States, the ATL will decrease the export of U.S. logs and change the composition of U.S. production to more value-added wood products, which is good for the environment and good for U.S. business.

U.S. tariffs on forest products

- The United States already has zero tariffs on many forest products, including logs, lumber, pulp, newsprint, wallpaper, books, and furniture -- and, under a Uruguay Round agreement, is in the process of phasing out its remaining paper and printed materials tariffs by 2004.
- U.S. tariffs on wood are bound at an average 1.8%. However, the applied rate on most wood imports is already free under various regional agreements and the Generalized System of Preferences (GSP). For example, over 70% of U.S. imports of wood products originate in Canada and enter duty-free under the North American Free Trade Agreement.

Congressional interest in forest products trade liberalization

- Trade liberalization in the forest products sector has been a longstanding Congressional priority. The Uruguay Round resulted in agreements between the United States and its major trading partners to eliminate tariffs on pulp, paper, printed materials, and furniture. Wood tariffs were also substantially reduced, but the Uruguay Round initiative to eliminate wood tariffs among major trading partners failed. As a result, in the legislation implementing the Uruguay Round, Congress cited forest products as one of the sectors in which complete tariff elimination was still a priority and gave the President residual negotiating authority to accomplish this objective.

Accelerated Tariff Liberalization in the Forest Products Sector: A Study of the Economic and Environmental Effects

Executive Summary and Key Findings

INTRODUCTION

This study assesses the incremental economic and environmental impacts resulting from changes in the timing and scope of forest product tariff reductions as proposed in the Accelerated Tariff Liberalization initiative (ATL) in forest products among member countries of the World Trade Organization (WTO). The study's analysis of environmental effects focuses on possible changes in timber harvest, in both the United States and worldwide, and rests directly on an analysis of the economic (trade, production and consumption) effects of the initiative.

After the announcement of the proposed ATL initiative, many environmental organizations expressed concern that these forest product tariff reductions would lead to increased timber harvest and, as a result, potential environmental degradation. In response, the Office of the United States Trade Representative and the White House Council on Environmental Quality committed to analyze the economic and environmental effects of the initiative and requested comments from the public.¹

The environmental analysis is not a review of baseline trends in world forest area or condition; the analysis also does not attempt to determine, in detail, those levels, patterns, and methods of timber harvest that are "sustainable." Instead, it is an examination of (1) the direction and magnitude of change in timber harvest that can be attributed to the ATL; and (2) the location of this change in harvest.

Forest Context

Forests worldwide are significantly influenced by factors that exist both within the forest sector and in the broader economic, social and environmental context. Domestic market and policy initiatives (within and outside the forestry sector) are major causes of deforestation in most countries, although the effect of domestic policies may be exacerbated by interaction with international markets. Major causes of deforestation and forest degradation also include agricultural subsidies, large scale industrial development projects, corruption, population pressures, lack of secure land tenure arrangements, fuelwood demand, domestic wood harvest and consumption, and the absence of an economic environment supportive of sustainable forest management. International trade in forest products is not a major factor affecting global forest conditions and management, though the effects can be locally or nationally significant in some exporting countries.

¹ 64 Fed. Reg. 34304 (June 25, 1999).

Nevertheless, the relationship of international trade in forest products to sustainable forest management is generally receiving greater attention. Trade initiatives like the ATL have heightened this attention in the United States. The relationship between international trade and local/national forest conditions will also be influenced by national policies and national capacity related to the production of wood products in exporting and importing countries. Key among these are the implementation and enforcement of sound regulations for wood harvesting and processing.

Description and History of the ATL

The United States sought elimination of all tariffs in the forest products sector during the Uruguay Round of trade negotiations that concluded in 1993. The round resulted in a “zero for zero” (reciprocal tariff elimination) agreement which included the United States, Canada, Finland, Austria, Singapore, Hong Kong, Japan, the European Union, Korea and New Zealand for paper products (chapters 47, 48 and 49 of the global “Harmonized System” of tariff classification) by 2004, and an agreement between major producing countries to eliminate tariffs on all furniture (not just wood) by 1999. At the same time, there was an agreement to reduce, over five years, tariffs on wood products. In the United States, such reductions amounted to just over a one-third cut in average tariff levels from an average tariff level of 3.1 percent to an average tariff level of 1.8 percent.

The forest products ATL is one component of an eight-sector initiative that began as an effort of the Asia Pacific Economic Cooperation (APEC) forum. The set of sectoral trade liberalization initiatives was designed as a balanced package with elements of interest to both developed and developing countries. Further liberalization of trade in these sectors is expected to yield a broad set of economic, social and environmental benefits to the United States and other countries.

The ATL initiative includes further reductions and acceleration in the timing of reductions of tariffs agreed to as part of the Uruguay Round. Because of the implementation schedule of the Uruguay Round zero-for-zero agreement on pulp, paper and printed materials, different disciplines have been proposed for these commodities than for the other products covered by the proposal. The proposal is:

- For wood chemicals, wood, rattan, wood furniture and prefab housing, developed countries would eliminate tariffs by January 1, 2002. The proposal suggests that developing countries should strive to meet the same targets, but accepts that in special circumstances and on a case-by-case basis, elimination could be delayed until January 1, 2004.
- For pulp, paper and printed products, existing parties to the Uruguay Round zero-for-zero agreement would accelerate tariff removal to January 1, 2000. Others would attempt to remove tariffs by the same date, but developing countries could delay tariff removal until January 1, 2002 on a case-by-case basis for a limited number of specific products.

Methodology

The analysis begins with an examination of the initiative's effects on trade in forest products. The ATL's trade effects are examined in the broader context of forest products markets, both domestic and international. This broader context provides a basis for judging the initiative's effects on total production and consumption – and through this, the initiative's effects on timber harvest. Timber harvest is used as a broad-scale, summary indicator of the environmental changes that may be triggered by the ATL. This “coarse filter” approach is intended to reveal the possible existence and approximate magnitude of environmental consequences.

This analysis of the ATL is based on four sources of information: (1) simulation results using large-scale, forest products sector and trade models (see Appendix V); (2) literature describing analyses of the general effects of tariffs and tariff reductions on trade (see Appendix III); (3) literature that specifically addresses the role of tariffs and tariff changes in forest products trade (with specific reference to estimates of the effects of the Uruguay Round) (see Appendix III); and (4) a review and assessment of public comments on the initiative (see Appendix VI). All four sources provide support for the estimate reached in this analysis of the type and magnitude of effects that the ATL is likely to have. Further support for these conclusions is provided by an independent analysis of the effects of the initiative.² Due to certain characteristics of the modeling simulations, throughout the analysis, estimates of economic impacts reflect the maximum likely effects.

FINDINGS

Effects in the United States

The ATL initiative will likely have no distinguishable impacts on aggregate U.S. timber harvests compared to distinguishable from what would be the case in the absence of the ATL. The initiative is likely, however, to modify the composition of products manufactured from the harvested timber. The primary impact of the ATL will be on the composition, rather than aggregate absolute levels, of U.S. forest products consumption and trade. U.S. consumption of most forest products is projected to change by less than 1 percent; consumption of wood-based panels may increase and consumption of sawnwood and paper and paperboard may decline relative to the baseline by the 2010. The total volume of U.S. international trade in forest products will likely not change significantly as a result of the ATL, compared to the baseline. With respect to composition of trade modifications, U.S. exports of some paper and board products, sawnwood and some panel products are likely to increase as a result of the ATL initiative; U.S. exports of logs and wood chips are projected to decline. U.S. imports of wood-based panels, especially veneer-based panels, are

projected to increase, compared to the baseline. U.S. imports of other wood products can be

² Sedjo and Simpson. 1999. Tariff Liberalization, wood trade flows and global forests. Discussion Paper 00-05, Resources for the Future.

expected to decline relative to the baseline.

Global Effects

By 2010, compared to the baseline, the ATL is projected to increase aggregate world trade in forest products by a maximum of 2 percent, timber harvest by 0.5 percent, and aggregate world production and consumption of forest products by less than 1 percent. The economic model simulations' characteristic of reflecting the maximum likely effects is particularly pronounced with respect to developing countries.

As in the United States, at the worldwide level the ATL will likely lead to greater changes in the composition and patterns of trade than in the aggregate volume of trade in forest products. The greatest increases in trade (as much as 6 percent by volume) will occur in value-added manufactures (such as panels, other manufactures and furniture) and paper; trade in raw materials and some semi-processed products is projected to decline, with trade in logs likely to decline by 5 percent by volume, compared to the baseline.

The ATL will affect geographic patterns of trade. Developed countries are likely to import more wood-based panels and other solid wood manufactures while developing countries are likely to import more paper and paperboard products.

The ATL is likely to cause incremental increases in timber harvests in some countries, including Australia, Chile, China, Finland, Indonesia, Malaysia, New Zealand and Sweden. For example, for Malaysia and Indonesia, these increases will be in the range of 2.6 and 4.4 percent, respectively, by 2010, compared to the baseline. Increases for Sweden and Finland will be in the range of 7.6 and 11 percent, respectively. The ATL is also projected to lead to reductions in timber harvesting in some countries. Decreases in Mexico and Russia will be in the range of 2.1 and 4.1 percent, respectively.

The ATL's effect on timber harvest appears likely to reinforce existing trends toward timber harvest based on plantations and intensive management of secondary forests. On balance, it appears likely that decreases in timber harvesting will be concentrated in primary (natural) forests and that increases will be concentrated in secondary forests and plantations. This expectation is based on current resource conditions and patterns of harvest in countries where timber harvesting is likely to increase. It is also consistent with the raw material requirements of products whose trade and production is projected to increase.

Global Environmental Implications

Changes in timber harvest are used as the indicator of environmental impact projected to be caused by the ATL. As a consequence of the ATL, global timber harvest is projected to be a maximum of 0.5 percent greater than baseline in 2010. This expected change in world timber harvest is the net effect of both increases and decreases as large as 11 percent in individual countries. Projected increases in timber harvesting will be concentrated for the most part in countries that are currently

major producers and exporters of forest products (except the United States, as noted above).

Increased harvest in managed secondary forests and plantations is projected to account for more than half the net increase in timber harvests. Increased reliance on such sources may lead to expansion of the area devoted to intensive management practices. This can result in the expansion of forest area or restoration of vegetation on degraded land. Plantations and intensive forest management are also recognized as reducing pressure to disturb natural forests. However, conversion of natural forests to plantations may have negative environmental consequences due to loss of biological diversity and habitat for native species. In addition, plantation management, including pesticide and fertilizer use, could lead to water and habitat impacts.

The ATL is likely to result in positive environmental changes by reducing timber harvest in some countries. The ATL may also lead to positive environmental changes if it stimulates increases in manufacturing efficiency in export-oriented developing countries. In addition, the overall ATL initiative (of which forest products is but one of eight sectors) may contribute to increasing income and rising standards of living in developing countries. Increases in income contribute to decreases in consumption of fuelwood³ and increases in consumption of other wood products -- as well as greater interest in the ecological functions of forests.

There is uncertainty associated with estimates of the effects of the ATL on forest trade. Important sources of this uncertainty are the difficulty in determining baseline conditions against which the effects of the ATL must be judged, and volatility in key determinants of these baseline conditions (such as timber supplies and forest policies, rates of economic growth, exchange rates, and developments in other sectors). In addition, the analysis also does not explicitly account for the effects of provisions of existing regional trade agreements (RTAs), and RTAs currently under negotiation, many of which liberalize trade in forests products. This may lead to an overestimation of the ATL's effects. The analysis also does not take into account the fact that some trade in forest products already faces reduced tariffs as a consequence of programs such as the Generalized System of Preferences, further contributing to the overestimation of the ATL's effects. The greatest uncertainty is associated with estimates of the initiative's effects on the production and trade patterns of individual countries. However, there is sufficient information to conclude that the incremental effects of the ATL are likely to be small at the world scale, and small as compared to the effect of changes in factors that determine baseline conditions.

Conclusions

The study concludes that the ATL will have no distinguishable impacts on aggregate U.S. timber

³ Fuelwood currently accounts for more than half of world timber harvest and more than 80 percent of timber harvest in developing countries.

harvest compared to what would be the case in the absence of the ATL. At a global level, compared to the baseline, the maximum projected effects of the ATL by the year 2010 are to increase aggregate world trade in forest products by 2 percent, timber harvest by 0.5 percent, and aggregate world production and consumption of forest products by less than 1 percent. It should also lead to greater changes in the composition and patterns of trade than in the aggregate volume.

The ATL is unlikely to alter the proportion of the world's timber harvest that comes from developing countries (including tropical) as compared to developed countries. Developed countries are likely to account for at least two-thirds of increases in timber production resulting from the ATL. Developed countries also will account for the majority of expected decreases in production.

The findings of this study do not suggest the need for a separate U.S. domestic environmental policy response to the ATL. However, the study does provide two valuable insights: the importance of (1) further improvement in baseline data in order to expand the usefulness of future analyses and thereby extend the understanding of the relationship between international trade in forest products and sustainable forest management; and (2) bilateral, regional and multilateral cooperation, including continued technical assistance to help countries develop environmentally sound national forest management policies and practices.

CONCLUSIONS (taken from the text of the study, pp. 15-17)

This study's analysis reflects the *maximum* likely effects of the ATL tariff liberalization initiative. Its central findings include that the ATL initiative will likely:

- have mixed impacts on the volume of U.S. trade across various forest product categories. The new composition of traded forest products should create additional U.S. economic opportunities at the sub-sector and firm level;
- marginally reinforce the trend in the United States toward export of value-added, processed products and away from export of unprocessed products such as logs and wood chips;
- have no distinguishable impacts on aggregate U.S. timber harvest compared to what would be the case in the absence of the ATL;
- lead to an increase in world trade in forest products by a maximum of 2 percent in 2010 and in world production and consumption of forest products by less than 1 percent over the same time frame;
- lead to an increase in global timber harvest of not more than 0.5 percent over baseline predictions for 2010;
- lead to greater changes in the composition and patterns of trade than in the aggregate volume of trade in forest products at the worldwide level;
- marginally accelerate the baseline trend away from natural forests toward harvesting of secondary managed forests and plantation forests; and,
- result in more efficient use of raw materials based on increased competitiveness in the value-added forest products sector, such as processed wood products.

Environmental Considerations

Environmental effects of the ATL are likely to be mixed (both positive and negative) and small.

For the United States, the ATL's environmental impacts on U.S. forests are expected to be indistinguishable compared to what would be the case in the absence of the ATL. U.S. exports of some paper and board products are likely to increase as a result of the initiative; U.S. exports of logs and wood chips are likely to decline. Taken together with no distinguishable aggregate change in levels of harvest, this result implies marginally greater domestic processing and fewer exports of unprocessed raw material.

On a global scale, the initiative will likely increase annual timber harvesting by not more than 0.5

percent in 2010, compared to the baseline. This expected change in timber harvesting is the net effect of projected increases of as much as 9 percent in some countries and decreases of more than 11 percent in other countries. These general conclusions are accompanied by uncertainty regarding specific changes in production, consumption, and trade that can be reasonably attributed to implementation of the ATL. On balance, it appears likely that decreases in timber harvesting (relative to the baseline projections) will be concentrated in primary (natural) forests and that increases in timber harvest (relative to the baseline projection) will be concentrated in secondary forests and plantations.

Increased timber harvest in countries that rely largely or exclusively on plantations may lead to expansion of the area of plantations, or the use of more intensive management practices. From a biodiversity conservation perspective, the shift over time from harvest of primary forest to plantation forest may be a positive environmental consequence. The net environmental consequences of these trends are uncertain. For example, reforestation for plantation use may result in restoration of degraded land and watershed protection. However, increases in plantation forestry may also increase pesticide and fertilizer use, and may also lead to water and habitat impacts.

At the country-specific level, the ATL is likely to increase timber harvests in some developing and developed countries, while reducing timber harvests in others. The environmental consequences of increased timber harvest (such as habitat and biodiversity loss) may be a concern, especially in countries with poorly developed forest protection regimes; however, increased harvest in managed, secondary forests and plantations is likely to account for more than half of any net increase in timber harvests due to the ATL. For developing countries, such concerns should also be placed in the context that on average only five percent of timber harvest (including fuelwood) in developing countries enters international trade.

Positive environmental changes may also be a result of the ATL; these include increases in manufacturing efficiency in export-oriented developing countries and reductions in timber harvests in some countries. To the extent that the multi-sector ATL contributes to increasing income, fuelwood consumption may decline in some developing countries. Fuelwood currently accounts for more than half of world timber harvest and more than 80 percent of timber harvest in developing countries.

Policy Implications

The findings of this study do not suggest the need for a separate U.S. domestic environmental policy response to the ATL. The study does, however, provide at least two valuable insights which could inform future work relating to potential impacts outside the United States: the importance of (1) further improvement in baseline data in order to expand the usefulness of future analyses and thereby extend the understanding of the relationship between international trade in forest products and sustainable forest management; and (2) bilateral, regional, and multilateral cooperation, including

continued technical assistance to help countries develop environmentally sound national forest management policies and practices. The study's findings should be fully integrated into the policy deliberations of U.S. government agencies with jurisdiction over matters of natural resources, environment, trade, commerce, development assistance, and foreign affairs.

The analytic and methodological experience gained from the production of this study will also inform U.S. policymaking. At the domestic level, it is instructive for the ongoing consideration of the potential environmental impacts of trade agreements and the methodological issues connected with that effort. At the international level, it may be a useful point of reference for other governments as they consider options for similar such analyses in their own countries. Finally, this study, and the U.S. experience with its production, will be shared with the range of relevant international and intergovernmental institutions that are or may in the future play a role in the consideration of the environmental impacts of trade liberalization.

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⁴ See Appendix III for a review of relevant literature.

MYTHS AND FACTS ABOUT ECONOMIC AND ENVIRONMENTAL EFFECTS OF ACCELERATED TARIFF LIBERALIZATION IN THE FOREST PRODUCTS SECTOR

Myth - *The ATL will lead to significant deforestation in the United States and globally.*

Fact: - **The ATL will have no impact on overall levels of U.S. timber harvests compared to baseline projections for the period between now and 2010.**

Globally, the ATL is likely to increase aggregate timber harvest by a maximum of 0.5 percent compared to current baseline projections for 2010. Among individual countries, Sweden and Finland are likely to have the largest growth in expected timber harvest, 7.6 percent and 11 percent respectively. Mexico and Russia are likely to have relatively greater decreases in timber harvest, 2.1 and 4.1 percent, respectively. On balance, it appears likely that decreases in timber harvesting will be concentrated in primary (natural) forests and that increases will be concentrated in secondary forests and plantations.

Indeed, fuelwood continues to account for more than half of world timber harvests and more than 80 percent of timber harvests in some developing countries. Increases in income and standards of living contribute to decreases in consumption of fuelwood.

Myth - *The ATL will force the U.S. to eliminate its ban on log exports.*

Fact: - **The ATL only deals with tariffs and will not result in a change to U.S. log export rules.** Moreover, as a result of the ATL, exports of U.S. logs are projected to decline.

Myth - *The ATL is likely to lead to increases in world consumption of forest products by as much as 3-4 percent.*

Fact: - **The ATL will increase global consumption of forest products by less than 1 percent compared to baseline projections for the period between now and 2010.**

Note: The source of the larger number of 3-4 percent was a widely-quoted speech by a private consultant and that estimate was not made with reference to the forest products ATL. Instead, it was made as part of a discussion of the potential implications of the 1997 Asian economic downturn and the potential evolution of the world's economic future in an essentially free trade environment. The consultant has since clarified the misunderstanding in comments filed in response to the request for public input made by USTR and CEQ.

Myth - *The ATL will prevent the United States from implementing its national policies to ensure the sustainable use of its forests.*

Fact - **U.S. domestic laws and programs for the sustainable use of its forests will be unaffected by the ATL.** The ATL only proposes the reduction and elimination of tariffs on forest products. Those tariffs are not a part of the extensive U.S. domestic forest management scheme. Indeed, U.S. tariffs on forest products are already very low, as in most developed countries.

Non-tariff trade barriers related to forests may at some point be placed on the negotiating agenda of the WTO and are being studied in APEC. However, no decisions have yet been made, and the United States is committed to a process of active consultations with all interested stakeholders that will ensure that any U.S. negotiating objectives would not call into question legitimate forest management policies at home or abroad.

Myth - *The ATL will lead to accelerated transmission of foreign diseases and exotic pests that will threaten indigenous U.S. forests.*

Fact - **The extensive system of U.S. sanitary and phytosanitary protections will be unaffected by the ATL as the ATL focuses on tariff liberalization.** In addition, both globally and specifically in the U.S., the ATL will change the composition of international trade. In both instances, international trade of logs and semi-processed products (the most likely form in which transmission of diseases and pests will occur) is projected to decline as a result of the ATL.

Myth - *Avoiding further trade liberalization in the forest products sector is in the best interest of maintaining forests around the world.*

Fact - **While we need to continue to improve our understanding of the relationship between international trade and local/national forest conditions, the effects of international trade in forest products on forest conditions and management is relatively small globally.**

Factors other than international trade which significantly influence forests worldwide lie both within and outside the forest sector. Domestic market and policy initiatives are major causes of deforestation in most countries, though the effects of domestic policies can be exacerbated by interaction with international markets. Major causes of deforestation and forest degradation include agricultural subsidies, large scale industrial development projects, corruption, population pressures, lack of secure land tenure arrangement,

fuelwood demand, domestic wood harvest and consumption, and the absence of an economic environment supportive of sustainable forest management.

In addition to the absolute decline in timber harvest in some countries, the ATL may produce other positive environmental changes; these could include increases in manufacturing efficiency in export-oriented developing countries and increases in incomes and standards of living in some developing countries, thereby reducing consumption of fuelwood.

